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Before the Labor & Public Employees Committee
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HB-6931 - AN ACT CONCERNING NEW MUNICIPAL EMPLOYEES AND THE MUNICIPAL EMPLOYEES RETIREMENT SYSTEM.

The Connecticut Council of Small Towns (COST) ***supports the intent*** of **HB-6931** to lessen the financial burdens on municipalities by providing a new retirement plan for employees hired on or after October 1, 2015.

For some time now, municipalities participating in the Connecticut Municipal Employees Retirement System (CMERS) have expressed concern regarding inequities in how the system is funded. According to the Office of Legislative Research, the statutorily set employee contribution rate has not changed since CMERS was established in 1947. However, in the past 12 years, however, the employer contribution rate has been increased 12 times.

State law caps the municipal employee contribution rate at 2 ¼% of earnings subject to Social Security taxes or 5% of earnings not subject to Social Security taxes. Participating municipalities are required to contribute the remainder of the costs needed to finance the plan.

As a result, from FY 02 – FY 12, for employees covered by social security, the employer share for regular employees has increased from 37% to 70% and from 35% to 75% for hazardous duty employees. For employees not covered by social security, the employer share for regular employees has increased from 55% to 84% and from 63% to 88% for hazardous duty employees for the same time period.

This imbalance in funding the Municipal Employees Retirement System is straining the budgets of municipalities, forcing reductions in critical services or increases in property taxes. Other municipalities are permitted to negotiate issues relating to retirement benefit plan levels, contribution rates and enrollment eligibility. Unfortunately, however, municipalities that have elected to participate in CMERS have no other recourse and no mechanism for negotiating changes because the provisions, including the employee contribution rate, are fixed in statute.

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Recognizing the need to address rising pension costs, the state has adjusted state employee retirement plans and contribution rates several times, most recently in 2011. The 2011 agreement establishes a Tier III retirement class for employees hired after July 1, 2011. CMERS should be afforded the same opportunity to adjust plan options.

COST therefore urges the committee to amend the bill to establish a new **defined benefit plan tier** within CMERS for new municipal hires, modeled after the state's Tier III program, as outlined in CCM's testimony. This will create a more sustainable retirement program for employers and employees participating in CMERS.

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